

UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

DAVID LEE KAGEL,

Defendant.

CR No. 2:23-cr-00313-SB

I N F O R M A T I O N

[18 U.S.C. § 371: Conspiracy to
Commit Commodity Fraud]

The United States Attorney charges:

[18 U.S.C. § 371]

A. INTRODUCTORY ALLEGATIONS

At times relevant to this Information:

1. Defendant DAVID LEE KAGEL was a resident of Beverly Hills, California. Defendant KAGEL was an attorney admitted to practice in the State of California, and was the sole attorney at his law firm, Kagel Law P.C., located in Los Angeles, California.

2. A "cryptocurrency" was a digital currency in which transactions were verified and records were maintained by a decentralized system using cryptography, rather than a centralized authority such as a bank or government. Like traditional fiat

1 currency (defined below), there were multiple types of
2 cryptocurrencies, such as Bitcoin.

3 3. Cryptocurrency owners typically stored their cryptocurrency
4 in digital "wallets," which were identified by unique electronic
5 "addresses."

6 4. A "fiat currency" was a government-issued currency that was
7 not backed by a physical commodity, such as gold or silver. U.S.
8 Dollars, British Pounds, and Euros were examples of fiat currencies.

9 5. Cryptocurrencies, like Bitcoin, could be traded for various
10 fiat currencies on numerous electronic cryptocurrency exchanges.

11 6. Bitcoin was a "commodity" within the meaning of Title 7,
12 United States Code, Section 1a.

13 B. THE OBJECT OF THE CONSPIRACY

14 7. Beginning by no later than in or around December 2017 and
15 continuing until at least in or around June 2022, in Los Angeles
16 County, within the Central District of California, and elsewhere,
17 defendant KAGEL conspired with David Gilbert Saffron and with others
18 known and unknown to the United States Attorney, to knowingly and
19 willfully employ a manipulative and deceptive device, scheme, and
20 artifice to defraud in connection with a contract of sale of Bitcoin,
21 each such contract being a contract of sale of a commodity in
22 interstate commerce, in violation of Title 7, United States Code,
23 Sections 9(1) and 13(a)(5), and in violation of Title 17, Code of
24 Federal Regulations, Section 180.1(a).

25 C. MANNER AND MEANS OF THE CONSPIRACY

26 8. The object of the conspiracy was to be carried out, and was
27 carried out, in substance, as follows:
28

1 a. From in or around December 2017 through at least in or
2 around June 2022, defendant KAGEL with Saffron and their co-
3 conspirators fraudulently promoted and solicited investments and
4 obtained at least approximately \$15,000,000 in victim-investor funds
5 for various cryptocurrency trading programs. Defendant KAGEL,
6 Saffron, and their co-conspirators falsely represented to victim-
7 investors that Saffron traded investors' funds and cryptocurrency to
8 earn profits, including through purported cryptocurrency investment
9 vehicles using names such as Circle Society, Bitcoin Wealth
10 Management, the Omicron Trust, and Cloud9Capital, among other names.

11 b. Defendant KAGEL, Saffron, and their co-conspirators
12 were operating an illegal Ponzi scheme to defraud victim-investors
13 and to take and use the funds for their own personal benefit.

14 c. Defendant KAGEL and his co-conspirators made numerous
15 false representations to victim-investors to induce them to invest
16 cash or cryptocurrency in their cryptocurrency Ponzi scheme,
17 including that:

18 i. The investment programs used an artificial
19 intelligence trading robot (an "AI trading bot") to buy and sell
20 cryptocurrencies with victim-investors' funds that were "guaranteed"
21 to repay the principal investment and profits of 20% - 100% of the
22 principal investment amount within 30 days.

23 ii. Victim-investors' principal investments were
24 protected against loss for any reason and were guaranteed by a 1,000
25 Bitcoin wallet (approximately \$11 million in January 2018) held in
26 escrow by an attorney, namely, defendant KAGEL.

27 iii. Defendant KAGEL had himself invested in the
28 cryptocurrency trading programs - a false representation that was

1 designed to lend credibility to claims that potential investors'
2 funds would be safely invested.

3 d. When victim-investors demanded the return of their
4 initial investment and promised profits, defendant KAGEL made various
5 false representations about the reasons that he could not repay
6 investors until some later time, including but not limited to the
7 false representation that defendant KAGEL was prevented from repaying
8 investors because Saffron had disabled defendant KAGEL's access to
9 the 1,000 Bitcoin wallet, which purportedly guaranteed victim-
10 investors' funds.

11 9. In furtherance of the conspiracy, defendant KAGEL, together
12 with other co-conspirators:

13 a. Made materially false statements to victim-investors
14 regarding the high-yield returns that would purportedly result from
15 investing in Saffron's cryptocurrency trading programs;

16 b. Made materially false statements to victim-investors
17 regarding the use of invested funds, falsely representing that funds
18 would be used to trade cryptocurrency and fiat currency to generate
19 profits for the victim-investors;

20 c. Failed to state material facts that made the
21 statements misleading to victim-investors regarding how victim-
22 investors' funds would be used, omitting that funds would be used to
23 personally enrich defendant KAGEL, as well as other co-conspirators;

24 d. By and through the co-conspirators' scheme to defraud
25 victim-investors in connection with contracts of sale of Bitcoin,
26 each being a contract of sale of a commodity in interstate commerce,
27 made untrue statements of a material fact, and failed to disclose
28

1 material facts that resulted in making their statements misleading;
2 and

3 e. Made materially false statements to victim-investors
4 and to potential victim-investors to conceal the scheme and to induce
5 victims to re-invest in the scheme again.

6 D. OVERT ACTS

7 10. On or about the following dates, in furtherance of the
8 conspiracy and to accomplish its object, defendant KAGEL, together
9 with other conspirators, willfully committed and knowingly caused
10 others to commit the following overt acts, among others, within the
11 Central District of California, and elsewhere:

12 Overt Act No. 1: On January 21, 2018, defendant KAGEL spoke
13 to potential victim-investors to fraudulently induce them to invest
14 and falsely represented that, as an attorney, defendant KAGEL held a
15 1,000 Bitcoin wallet in escrow that would guarantee the victim-
16 investors' money against loss for any reason.

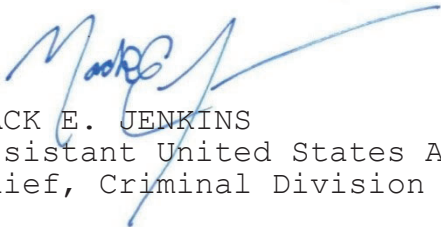
17 Overt Act No. 2: On January 21, 2018, defendant KAGEL sent
18 letters to victim-investors on letterhead from defendant KAGEL's law
19 firm falsely stating that defendant KAGEL had unrestricted access to
20 a 1,000 Bitcoin wallet that would be used to ensure repayment of the
21 victim-investors' initial investment.

22 Overt Act No. 3: On July 28, 2020, defendant KAGEL spoke with
23 Victim S.B. to refer Victim S.B. to Saffron for the purpose of
24 inducing Victim S.B.'s investment into the Ponzi scheme. Defendant
25 KAGEL falsely represented that Saffron was a successful
26 cryptocurrency trader, who made substantial returns for investors.
27 Defendant KAGEL knowingly and willfully omitted to tell Victim S.B.
28 that defendant KAGEL, together with Saffron and their co-

1 conspirators, intended to take and use Victim S.B.'s funds for their
2 own personal benefit, and the omission caused defendant KAGEL's
3 statements to Victim S.B. to be materially misleading.

4 Overt Act No. 4: On September 30, 2020, to allay Victim
5 S.B.'s concerns that Saffron had defrauded Victim S.B. of \$375,000
6 and to deter and delay Victim S.B. from acting on the concerns,
7 defendant KAGEL falsely represented that defendant KAGEL had also
8 invested with Saffron and defendant KAGEL trusted Saffron based on
9 defendant KAGEL's long relationship with Saffron as his attorney.

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